

**REPORT OF THE AUDIT OF THE  
EDMONSON COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
August 01, 2008 Through April 15, 2009**



**CRIT LUALLEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**EDMONSON COUNTY**  
**SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period**  
**August 01, 2008 Through April 15, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Edmonson County Sheriff for the period August 01, 2008 through April 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$3,282,988 for the districts for 2008 taxes, retaining commissions of \$131,101 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,166,320 to the districts for 2008 taxes. Taxes of \$216 are due to the districts from the Sheriff and refunds of \$15,916 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Sheriff Did Not Distribute Interest Earned As Required By KRS 134.140(3)(b)(c)
- The Sheriff's Office Lacks An Adequate Segregation Of Duties
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable N. E. Reed, Edmonson County Judge/Executive

Honorable T. M. Vincent, Edmonson County Sheriff

Members of the Edmonson County Fiscal Court

Independent Auditor's Report

We have audited the Edmonson County Sheriff's Settlement - 2008 Taxes for the period August 01, 2008 through April 15, 2009. This tax settlement is the responsibility of the Edmonson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Edmonson County Sheriff's taxes charged, credited, and paid for the period August 01, 2008 through April 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable N. E. Reed, Edmonson County Judge/Executive  
Honorable T. M. Vincent, Edmonson County Sheriff  
Members of the County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Did Not Distribute Interest Earned As Required By KRS 134.140(3)(b)(c)
- The Sheriff's Office Lacks An Adequate Segregation Of Duties
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

February 16, 2010



EDMONSON COUNTY  
T. M. VINCENT, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period August 01, 2008 Through April 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 530,249	\$ 488,029	\$ 1,616,613	\$ 525,938
Tangible Personal Property	16,193	24,314	32,635	31,305
Fire Protection	1,226			
Increases Through Exonerations	202	177	615	200
Franchise Taxes	32,158	42,588	66,664	
Additional Billings	216	190	660	215
Oil and Gas Property Taxes	3,562	3,128	10,861	3,534
Penalties	5,300	4,856	16,020	5,319
Adjusted to Sheriff's Receipt	33	529	(764)	355
Gross Chargeable to Sheriff	<u>589,139</u>	<u>563,811</u>	<u>1,743,304</u>	<u>566,866</u>
<u>Credits</u>				
Exonerations	2,366	2,280	6,932	2,704
Discounts	8,129	7,712	24,299	8,082
Delinquents:				
Real Estate	18,661	17,069	56,870	18,502
Tangible Personal Property	964	1,315	1,943	2,042
Franchise Taxes	54	46	162	
Total Credits	<u>30,174</u>	<u>28,422</u>	<u>90,206</u>	<u>31,330</u>
Taxes Collected	558,965	535,389	1,653,098	535,536
Less: Commissions *	<u>24,043</u>	<u>22,019</u>	<u>61,991</u>	<u>23,048</u>
Taxes Due	534,922	513,370	1,591,107	512,488
Taxes Paid	534,946	513,261	1,605,902	512,211
Refunds (Current and Prior Year)	<u>210</u>	<u>201</u>	<u>614</u>	<u>242</u>
Due Districts or		**		
(Refunds Due Sheriff)				
as of Completion of Audit	<u>\$ (234)</u>	<u>\$ (92)</u>	<u>\$ (15,409)</u>	<u>\$ 35</u>

\* And \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY  
T. M. VINCENT, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES  
For The Period August 01, 2008 Through April 15, 2009  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,326,000
4% on	\$	293,890
3.75% on	\$	1,653,098

\*\* Special Taxing Districts:

Library District	\$	92
Ambulance District		89
Big Reedy Creek Watershed District		(13)
City of Brownsville District		(260)

Due Districts or		
(Refunds Due Sheriff)	\$	(92)

EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Edmonson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 15, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Edmonson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 2008 through April 15, 2009.

B. Oil and Gas Taxes

The oil and gas property tax assessments were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 18, 2008 through April 15, 2009.

Note 4. Interest Income

The Edmonson County Sheriff earned \$3,465 as interest income on 2008 taxes. As of February 16, 2010, the Sheriff owes \$1,024 in interest to the school district and \$1,408 in interest to the County Treasurer.

Note 5. Sheriff's 10% Add-On Fee

The Edmonson County Sheriff collected \$26,731 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of February 16, 2010, the Sheriff owes \$399 in 10% add-on fees to his fee account.

Note 6. Advertising Fees

The Edmonson County Sheriff collected \$3,508 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising fees to his operating account.

Note 7. Commissions On Taxes Collected

The Edmonson County Sheriff earned \$131,101 as commissions on taxes collected on 2008 taxes. This amount was used to operate the Sheriff's office. As of February 16, 2010, the Sheriff owes \$57,362 in commissions on taxes collected to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable N. E. Reed, Edmonson County Judge/Executive  
Honorable T. M. Vincent, Sheriff, Edmonson County Sheriff  
Members of the Edmonson County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Edmonson County Sheriff's Settlement - 2008 Taxes for the period August 01, 2008 through April 15, 2009, and have issued our report thereon dated February 16, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Edmonson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmonson County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Edmonson County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks An Adequate Segregation Of Duties
- The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Edmonson County Sheriff's Settlement - 2008 Taxes for the period August 01, 2008 through April 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Did Not Distribute Interest Earned As Required By KRS 134.140(3)(b)(c)

The Edmonson County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Edmonson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

February 16, 2010



## COMMENTS AND RECOMMENDATIONS



EDMONSON COUNTY  
T. M. VINCENT, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period August 01, 2008 Through April 15, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Did Not Distribute Interest Earned As Required By KRS 134.140(3)(b)(c)

During testing, we noted that the Sheriff did not distribute interest earned on the tax account monthly. We recommend the Sheriff distribute the interest earned on the tax account to the school district and the county treasurer monthly as required by KRS 134.140(3)(b)(c).

*Sheriff's Response: This will be corrected.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks An Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. The bookkeeper and office deputies collect payments from customers, prepare deposits, prepare daily collection printouts, and post to the receipts ledger. In addition, the bookkeeper prepares monthly bank reconciliations, prepares monthly tax reports, reconciles monthly tax reports to receipts and disbursements, writes checks, and posts to the disbursements ledger. The Sheriff or another individual did not document oversight of any of these activities.

Segregation of duties over receipts, disbursements, and reconciliations or the implementation of documented compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets. If it is not possible to segregate all functions of the accounting process, the implementation of documented compensating controls will help limit the severity of possible asset misappropriation and/or inaccurate financial reporting.

We recommend the Sheriff implement these compensating controls and require the controls be documented as evidence of their existence to offset the lack of segregation of duties over receipts, disbursements, and reconciliations:

- The Sheriff or his designee should periodically prepare the daily bank deposit and compare to the daily checkout sheet and to the receipts ledger. Any difference should be reconciled. This review could be documented by initialing and dating the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should periodically perform surprise cash counts and recount cash. This count could be documented by initialing the deposit ticket.
- The Sheriff or his designee should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This review could be documented by initialing the bank reconciliation and the balance in the checkbook.
- The Sheriff or designee should review the reconciliation of monthly tax reports to receipts and disbursements ledgers. Any differences should be reconciled. This review could be documented by initialing the reconciliation and the ledgers.

*Sheriff's Response: In response to this, the Sheriff is already correcting the matter and has been acting toward the correction of the problem.*

EDMONSON COUNTY  
T. M. VINCENT, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period August 01, 2008 Through April 15, 2009  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:  
(Continued)

The Sheriff Should Pay Commissions On Taxes Collected To His Fee Account Monthly

The Sheriff collects property taxes for various taxing districts. The Sheriff receives commissions for collecting these taxes. The commissions on taxes collected are used to operate the Sheriff's office. These commissions should be distributed to the fee account from the tax account monthly. During testing, we noted the Sheriff's office did not distribute commissions on taxes collected to the fee account from the tax account for the months of November 2008 and December 2008 in the amounts of \$48,677 and \$8,581, respectively. This mistake was not discovered because the Sheriff's office does not compare the amount collected for the month with the amount distributed for the month. We recommend the Sheriff's office distribute commissions on taxes collected to his fee account monthly. In addition, the Sheriff's office should compare the amount received for the month with the amount distributed for the month. Any differences should be reconciled.

*Sheriff's Response: This is in the response of being done.*

